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TOM KEANE

The real reason for income inequality

By Tom Keane | GLOBE COLUMNIST JULY 22, 2014



ARAM BOGHOSIAN FOR THE BOSTON GLOBE

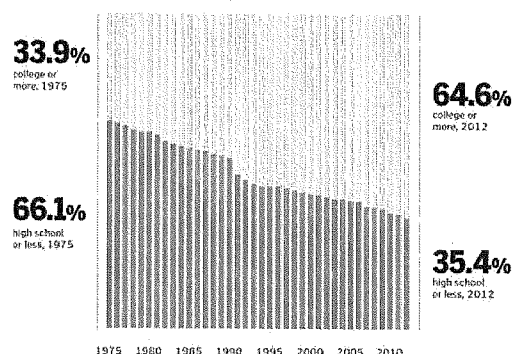
Newton South High School's graduation on June 9.

INCOME INEQUALITY is the public-policy topic of the moment, embraced as an issue across the political spectrum. Since the 1970s, the gap in incomes between those who earn the most and those who earn the least has increased markedly. Some have

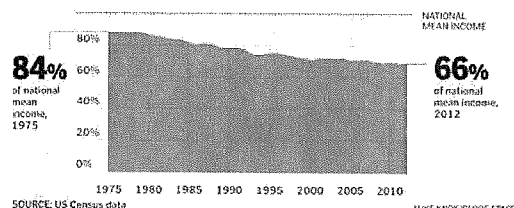
described this as a “hollowing out” of the middle class and everyone, it seems, agrees it’s a bad thing. But why is it occurring at all? The answer is that the US economy has been undergoing fundamental changes, changes that benefit workers with skills and smarts, but leave behind those with lesser educations.

Jobs today require more education than they once did. According to US Census data, 66 percent of all jobs in 1975 were held by those with high school degrees or less, while just 34 percent required some postsecondary education. By 2012, those figures had almost completely reversed: 65 percent of all jobs required post-secondary education, while just 35 percent were available to those with high school or less. The upshot: If you don’t have skills, it’s tough to find work.

US jobs by level of education
■ HIGH SCHOOL OR LESS ■ COLLEGE OR MORE



Mean income for workers with education of high school or less compared with national mean



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Indeed, the unemployment rate confirms that, tracking almost exactly to education. Those without a high school degree, for example, had an 11 percent unemployment rate in 2013. Those with BAs, meanwhile, had just a 4 percent unemployment rate.

It’s not only that people with good educations have an easier time getting a job. They also earn relatively more than ever before — and those with poor educations, much less. As shown in the lower portion of the chart, back in 1975, those with lesser educations had earnings of about 84 percent of national mean incomes. Today, that figure has dropped to 66 percent.

It’s not just that those with lesser skills are making less. The college-educated are now making more. In 1975, for instance, employees with some post-secondary education earned about \$1.55 for every \$1 earned by those with only a high school education or less. In 2012, that figure had climbed to \$1.80.

Much of the blame for these changes goes to technology: Many lower-skilled jobs have disappeared, replaced by machines, while at the same time those with higher levels of education are able to command better salaries because technology (such as computers) allows them to be more productive.

And the solution? Nothing that's easy. There are doubtless some who wish we could rewind the clock and bring back the good old days when a high school education was all a worker needed to provide for a family. That won't happen. Others place the blame on companies for "shipping jobs overseas." Most of those, however, are jobs the United States really doesn't want: Low-wage and long-hour work that, even if returned to our shores, wouldn't bring back a robust middle class. (Indeed, because they pay so little, they might exacerbate the divide.)

A better approach, perhaps, is simply to insist that lower-paying jobs pay more. That's what proposals to increase the minimum wage do. Schemes to mandate better benefits — such as paid family leave — have the same effect. These may help somewhat, but they have their downsides. We can artificially push compensation up only so much before it begins to backfire. If the wages employers are required to pay are well above the productivity they are getting from their employees, companies will eventually get rid of those jobs — perhaps by going out of business, perhaps through new efficiencies, perhaps simply by replacing lower-productivity workers with machines.

Alternatively, we might tax more heavily those with high incomes and turn around and give it to those towards the bottom. Such redistributionist schemes have never been popular in the United States, however, and it's hard to see enthusiasm for them building. Still, a variant of that — funding the cost of college educations for middle-class folks — might catch on.

That last thought leads us to education. As should be evident, if educated people do better in today's economy, then the answer is to get more people educated. It's not a quick fix, unfortunately, and in a world where politics demands instant results, it's bound to disappoint. Yet in the long run, it's the only way to keep America the land of opportunity.

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